

textron

Annual Report for 1970

BELL
HELICOPTER

GORHAM




SHEAFFER

BOSTITCH

Speidel

Talon



HOMELITE

FAFNIR

AMCAR

Bridgeport

SPENCER
SK
KELLOGG

Highlights

	1970	1969
Sales	\$1,611,851,000	\$1,682,171,000
Pretax Income	124,236,000	151,672,000
Net Income	66,736,000	76,122,000
Earnings Per Share* ..	\$1.90	\$2.14

*Per share results are computed on the basis of full conversion of all preferred stock and exercise of warrants and stock options.

Employees 64,000 / Plants 192 / Securityholders 86,000.

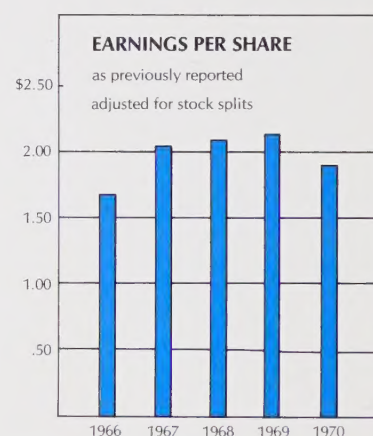
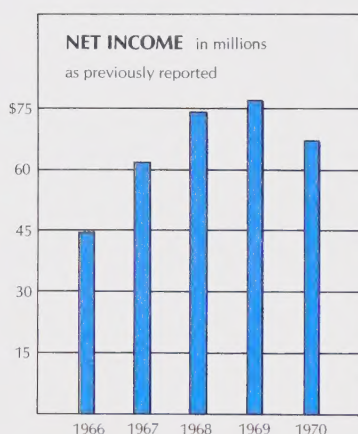
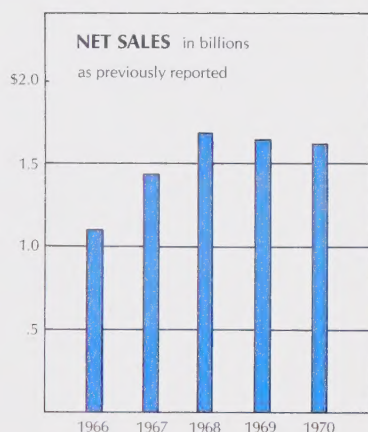


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About the Paper: Because an increasing number of Textron's Annual Reports are sent overseas, many in translation, this year's report is printed on a light, tough paper—Olin Waylite. Despite its thinness Waylite gives high quality reproduction and is very opaque, because of a high content of titanium.

Message to Securityholders



Results for 1970 were disappointing to Textron management, even though the performance was relatively better than reported by many manufacturing companies. Earnings per share were down 11%, the first decline in nine years.

The reasons are all too familiar to investors. The national economic policies

pursued in an effort to bring inflation under control did not work out quite as planned. The expectation was that a dampening of the economy would bring things under control without a major business downturn, but inflation proved to be too stubborn. So restraints were continued and the country moved into its first recession since 1961.

Now, in the early months of 1971, there is cautious optimism for better times. It seems a shame to cloud this mood with a backward look at a trying period. Yet it is necessary if we are to evaluate 1970 performance.

The inventory of difficulties is long: tight money, high interest rates, declining industrial production, a drop in real gross national product, disruption from national strikes, widespread local work stoppages, soaring costs, rising unemployment, and on and on.

How, then, did Textron fare in this difficult environment?

Operating Results

Pretax profits were down 18%, with net earnings off 12%. The only product group to show more favorable results was Aerospace. This was because of a well-balanced mix of products and programs, good operating controls and excellent performance by divisional management in the face of adverse industry conditions. Consumer Group profits declined moderately, reflecting the slowdown in consumer spending, but part of the reduction was due to new plant startup costs. The Consumer Group continues as the largest contributor to earnings, with a 40% share. The Industrial and Metal Products Groups, together accounting for 25% of Textron profits, were hardest hit by the recession and labor stoppages, and were off more sharply. The net result was creditable under the circumstances.

Financial Strength

More satisfaction can be taken from Textron's continued strong financial position. Despite tight money, the Company ended the year with the highest level of cash and equivalent in its history. With ample resources, capital expenditures to assure modern and efficient facilities and research and development outlays to produce a steady flow of new products continued at high levels.

International Expansion

Textron's program to expand international operations is beginning to be reflected in a higher proportion of overseas business. In 1970 Textron's international trade, both through export and foreign manufacture, rose to \$178 million, for the first time accounting for more than 10% of total sales.

Textron Atlantic was organized in 1970 as a base for developing a product group in Western Europe. Two acquisitions were completed during the year, and the Textron Atlantic progress is encouraging. Plans are proceeding for establishing Textron Pacific to develop operations in the Far East.

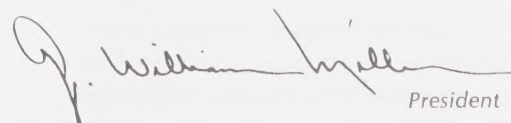
Employee Ownership

During the year the combined employee ownership of Textron through the Stock Savings Plan rose to over 10%. More than 15,000 Textron employees participate, and their growing ownership provides both a greater interest in contributing to Textron's success and an opportunity to share in its progress.

Outlook Ahead

There is hope that 1970 will become a base year for a new period of national growth. Interest rates have dropped substantially, money is currently more accessible and the President has proposed an expansionary budget. While at this time there is no evidence of a sudden or strong upturn, it does appear that 1971 will be a better year. Textron will benefit from the improved climate, and we expect to show higher profits.

The future depends to a great extent on the quality of management at all levels. So as the new decade unfolds, our first priority will continue to be the development of Textron people.


President

February 17, 1971

Report on the Year's Priorities

• Development of People

To achieve its objective in this period of rapid change in the national and international business climate, Textron must have superior management at all levels of its organization. Only in this manner will the challenge of change be met successfully.

Development of people continues as Textron's number one priority. In 1970 Textron intensified its commitment to an organized effort to assure an adequate supply of competent and well-motivated personnel, as well as to provide opportunities for capable men and women throughout the company to attain their full potential.

The third Textron Advanced Management Course was held in September. Eighty executives, including several foreign managers, now have graduated from this program. The course is conducted by faculty from Harvard Business School.

Evaluation Program

The company-wide program of formally and regularly evaluating divisional executives has greatly increased the ability to identify and promote managers of exceptional competence. Most of the Corporate Group Vice Presidents have moved up from Textron Divisions, and seven Division Presidents have been promoted from within Textron during the last twelve months.

Management development at the divisional level also received increased emphasis in 1970. Programs, ranging from in-plant supervisory training seminars to college-sponsored courses for middle and senior management, are operating at many Divisions, and will be expanded in 1971. As an important feature of its annual long range plan, each Division is now establishing specific goals, plans, and schedules for management development programs.

Additional Textron company-wide development programs in 1971 will concentrate on high potential younger

management. A training course similar to the Advanced Management Program and increased emphasis on job rotation training opportunities are planned for this group. Through identification, education and the opportunity to assume increased responsibility, these younger managers will supply the leadership necessary for Textron's future growth.

• Development of International Business

Textron has taken the first steps in its program to become a transnational company. World political and business trends and their effect on private enterprise systems have supported the timeliness of this decision.

To be a superior company in the coming decades, Textron must be in a position to make and sell its products worldwide. But to become a transnational company, it must go further: the Textron concept itself must be extended on an international basis.

Textron made progress in 1970 in efforts to achieve additional participation in world markets with its existing products and with plans to attain a truly transnational status.

International Sales Increase

In a year in which Textron's overall sales decreased slightly, there was an increase in international sales, both from foreign plants and from exports of domestic divisions. Foreign sales, by export or manufacture, rose 16.3%, from \$153 million in 1969 to \$178 million in 1970. Foreign licensing income increased from \$4.2 million to \$4.5 million.

During the year Textron Atlantic was established to coordinate the financing and expansion of Textron's interests in the Atlantic community, particularly Western Europe. A program of acquisition of moderate-sized companies was initiated with the purchase of Aero Zipp, headquartered in London, and RiRi, a Swiss company. Both produce slide fasteners and together have plants in seven countries. In addition, a management services subsidiary with a small



Videotape is one of the communications techniques being used in Textron divisional training programs. This Bell Helicopter seminar is being recorded for future re-use.

staff headquartered in The Hague was formed to oversee European expansion.

\$30 Million Credit

A five-year revolving \$30 million Euro-currency credit facility was negotiated late in 1970 with a group of foreign and domestic banks, assuring a source of funds to finance further offshore acquisitions and providing working capital for expansion.

Geographically-oriented companies similar to Textron Atlantic will be established for other areas of the world. The next project is the formation of Textron Pacific to coordinate Textron's interests in Japan and the Western Pacific Basin.

As a general rule, Textron plans to structure its enterprises within a given country as Divisions of a single host-company subsidiary, in order to achieve the economies and advantages generally inherent in consolidation. The amalgamation of Textron's Canadian interests has resulted in the creation of Textron Canada Limited with thirteen Divisions. In Belgium, the consolidation of Waterbury Farrel Europe, Bostitch, Bell Helicopter and True-Trace activities created Textron Atlantic Belgium. In England, Bostitch, Sheaffer Pen and Fafnir Bearing now operate as Divisions of Textron Limited.

Marketing Strengthened

Textron international developments in 1970 included the strengthening of foreign sales organizations by several Divisions. Bell Helicopter purchased its Australian distributor as a base for expanding sales operations throughout the South Pacific. Fafnir's 50% owned German bearing company doubled the size of its Homburg plant to 360,000 square feet. Fafnir also announced an agreement to provide technical assistance to Toyo Bearing of Japan which will enhance that Textron Division's participation in the Japanese market.



A successful example of a two way international flow of products is the affiliation of Bostitch and Max Co. Ltd. of Tokyo. Under the Bostitch name, Max staplers complement the Bostitch line in the United States. In turn, Bostitch power nailing equipment is sold by Max for Asian markets. Photo shows stapling products being packaged at Max.

● Development of New Capabilities

To take maximum advantage of the growth potential of the Seventies, a company must not only anticipate the needs of its present customers, but also develop new ones. During 1970 Textron continued its efforts to do so.

An expanded program of market research helped identify potential in new areas.

Technological research and development, which can create both product differentiation and new products, was carried on at approximately the same high level as in previous years.

The diversity of these efforts is demonstrated by developments such as Bell Helicopter's new twin turbine model Two-Twelve; by Talon's new invisible nylon zipper; by the Bostitch extension of its power nailing equipment for use in heavier applications in the home building industry; by Spencer Kellogg's development of urethanes for flexible fabrics.

Once again, there was a substantial expenditure for company-financed research and new product development, totaling \$36 million for the year. This

Report of the Year's Priorities, Continued

brought to \$144 million the amount spent on R&D over the past five years.

Facility Improvements

Capital expenditures are made in order to implement new and better production techniques for old and new products.

Textron Divisions have become outstanding in their industries for the modernity and efficiency of their production facilities. In 1970, expenditures for new plant and equipment of approximately \$42 million once again were well in excess of depreciation of \$36 million. Over five years, capital spending has totaled \$217 million against total depreciation of \$150 million.

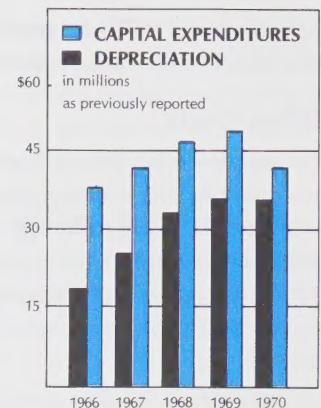
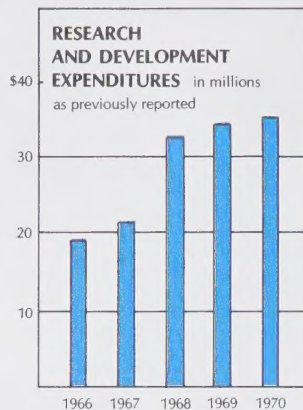
The range of these efforts is illustrated by Shuron/Continental's new lens and optical machinery production facility in Tampa, Florida; the automated molding system for high speed production of castings at Campbell, Wyant and Cannon; and improved distribution and maintenance facilities of Fafnir Bearing and Bell Helicopter.

Refinement Program

Continuing refinement of operations is also important to consistent operating success.

During 1970, Textron's steady efforts to improve divisional controls lessened the impact of major negative factors, such as strikes and slowness in industrial machine tool and consumer markets. Through control functions at corporate, divisional and plant levels, speedy responses were made by adjustments in spending rates, production loads, and inventories.

Coincident with the improvement in controls has been the continuing effectiveness of the company-wide Performance Improvement Program. During a year of high cost of money there was extra emphasis placed on asset control, including inventory reductions and decreases in accounts receivable by special efforts in collections.



● Developing Understanding

Textron has endeavored to carry on a balanced program of communication to shareholders, the investment community and the general public. The purpose has been to develop understanding of the company's philosophy and goals, as well as to identify Textron with its Divisions and their products.

This program has included a series of advertisements in financial newspapers, at a cost during the year of approximately

\$375,000. In addition, Textron executives have met periodically with security analysts and officers of mutual funds, banks and other institutional investment firms. The program also resulted in a number of articles about the company in national publications.

A Textron public affairs office has been established in corporate headquarters. Its activities include supervision of Textron aid to education and evaluation of divisional pollution control.

IDEAS. IDEAS. IDEAS.

That's what growth is all about.

Textron. The idea.

THE NEW SPACE RACE.

HOUSING IN THE 70'S.

Textron. The technique.

Textron's corporate advertising campaign relates Textron's management concept or Divisional products to problems or issues of the day.

● Development of Financial Strength

The difficult economic conditions of 1970, which included higher interest costs and tight money, resulted in a new concern over the financial condition and liquidity of major companies. The general business environment forced many corporations to restrict capital programs, drastically reduce costs, abandon expansion plans, and in some cases liquidate assets.

In this atmosphere, the effectiveness of Textron's long standing, sound and consistent financial and accounting practices was demonstrated once more. Textron ended 1970 holding more liquid assets than at any time in its history. Cash on hand and short-term investments totaled \$79 million. None of Textron's expansion or modernization programs has been restricted because of lack of funds.

Conservative Ratios

Significant ratios indicating financial strength have remained at conservative levels. The ratio of current assets to current liabilities was 2.4 to 1 at year end,

and long-term debt was only 27% of total capitalization.

Even though operating results for 1970 were disappointing, Textron has continued to report earnings on a conservative, realistic basis, using accounting principles and methods consistent with those used in prior years. Textron feels that this consistency is of special importance in financial reporting during years of sales and profit decreases, to provide continuing insights into earnings trends.

Financing

In order to provide the resources for continued expansion and growth, Textron early in 1970 sold to the public \$50 million of 8.60% notes due February 15, 1975. Late in the year, a \$30 million Eurocurrency credit facility was arranged with a group of banks for use in overseas operations. The interest on this line is based on the London inter-bank rate. None of the Revolving Credit had been used by year end. Thus in a cash hungry year, Textron was able to arrange for \$80 million in financing.

Cash Position

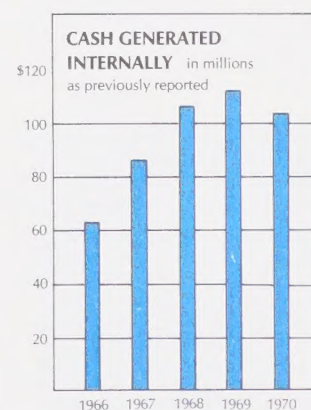
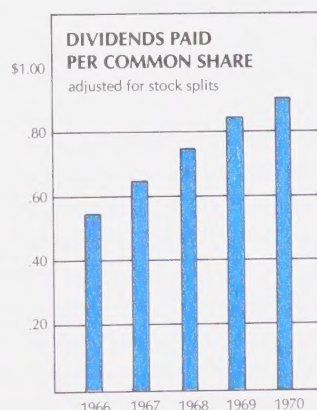
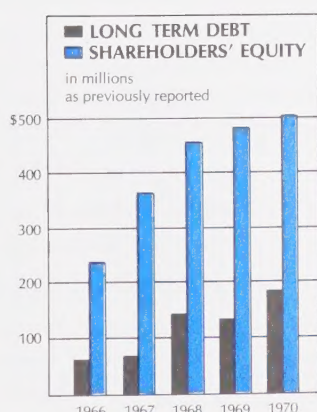
Internally-generated funds of Textron in 1970 totaled \$103 million, or \$2.93 per common share.

Textron's favorable cash position permitted prepayment early in 1971 of the balance of its bank term loan of approximately \$64 million.

Employees Stock Savings Plan

Since 1960 Textron has had an Employees Stock Savings Plan to encourage employees to participate in the company's progress. Eligible employees may contribute up to 10% of base salary for purchase of Textron common shares in the open market, and Textron adds an amount equal to one half of the contribution. At year end the plan held 2,784,546 shares, an amount which is more than 10% of the outstanding Textron common stock.

At present, over 15,000 employees are investing at the rate of \$11.6 million per year which, with Textron's contribution and dividends, results in investment under the plan at an annual rate of \$19.6 million.

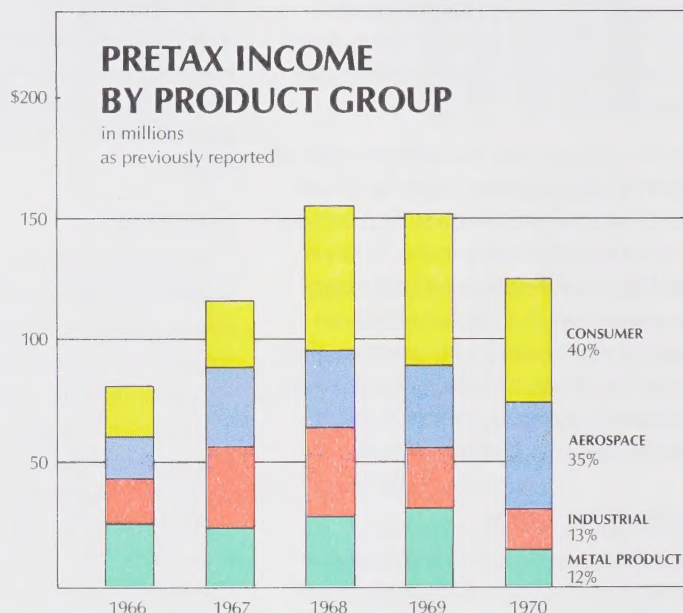
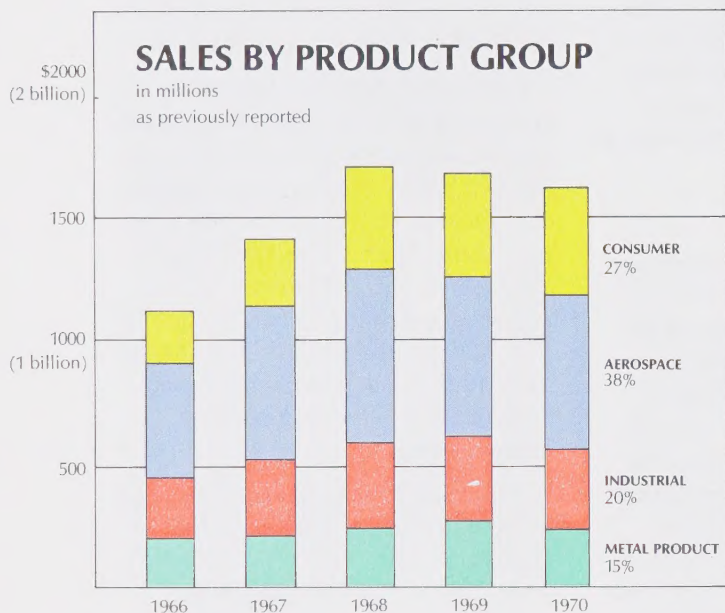


Sales and Income by Product Group

In order to provide more detailed information for both institutional and individual investors, the sales and earnings of Textron once again are reported here by product groups. Comparisons

with last year are made in the box below; the charts give a five year picture, on a historical basis.

A detailed discussion of the operations of each product group begins on the following page.



Sales and Pretax Income by Product Group

(In Thousands of Dollars)

Sales

	1970	1969
Consumer	\$432,200 (27%)	\$436,637 (26%)
Aerospace	622,035 (38%)	629,829 (37%)
Industrial	318,321 (20%)	351,159 (21%)
Metal Product	239,295 (15%)	264,546 (16%)
Total	\$1,611,851 (100%)	\$1,682,171 (100%)

Pretax Income

	1970	1969
Consumer	\$50,264 (40%)	\$60,734 (40%)
Aerospace	43,985 (35%)	34,414 (23%)
Industrial	15,667 (13%)	24,936 (16%)
Metal Product	14,320 (12%)	31,588 (21%)
Total	\$124,236 (100%)	\$151,672 (100%)

Consumer Product Group

While maintaining its relative position among Textron Product Groups in percentage of total sales and earnings, the Consumer Group in 1970 was affected by the less buoyant level of consumer spending. The result was, for most Divisions, a lower rate of operations and reduced profits.

In response, there was a re-evaluation of short and long term priorities. Divisional strategies were reviewed; in many cases, new directions were decided upon and implemented. Marketing trends and product line potential were assessed in view of alterations in life styles and shifts in the consumer market, both in levels of age and income and new motivational patterns, with the objective of developing a greater sensitivity to the changing needs of the consumer.

Wide Variety of Responses

For some Divisions, this meant either new strategies or expansion of earlier plans, with a variety of directions, including reduction in number of products (Sheaffer), expansion of product lines (Speidel and Homelite), diversification into new fields (Donahue and Gorham), redirection of marketing emphasis (Polaris and Homelite), and expansion into new geographical areas (Talon). In other Divisions, new manufacturing facilities and efficiencies were introduced (Shuron/Continental, Polaris and Speidel).

Results of these activities are becoming apparent in 1971.

Homelite continued to direct its major chain saw sales effort to the occasional or leisure time market, emphasizing lightweight models, at the same time continuing to improve its professional saws. Features of the new Homelite line include the first automatic chain tensioning device, a noise suppressing muffler, and anti-vibration mountings for pro-

fessional saws. The construction equipment line is receiving intensive engineering and marketing attention.

Homelite's E-Z-Go golf car Division had a strong sales year. Early in 1971, a gasoline model will supplement the line of electric cars.

Gift Lines Broadened

Sheaffer Pen, Gorham, Speidel, Shuron/Continental, and Eaton Paper, Textron Divisions in the gift field, introduced a number of new products combining beauty and utility.

Sheaffer continued its emphasis on high quality White Dot pens and pencils. Capitalizing on the current revival of remembrances of past decades, the Division introduced "Nostalgia", a \$180 reproduction of a 1924 gold pen; and Guys 'N Dolls, writing instruments reminiscent of the Thirties, but in the mod colors of the Seventies.

Sheaffer's Maico Division added five new hearing aid products, as well as improved audiometer and school auditory training equipment.

Gorham Adds China

Gorham sterling silver flatware volume was below the 1969 level. However, sales of holloware and bronze memorial markers equaled or exceeded those of 1969. An important step toward providing Gorham with a complete line of tabletop products was taken in the acquisition of Flintridge, a manufacturer of fine china, which complemented the Reizart Crystal acquisition in 1969. The china has been redesigned and supplemented with new coordinated concepts developed by the Gorham design staff.

The Division's strategy for the Seventies is to increase its share of the "New Gorham" markets—china, crystal, plated holloware and giftware—while reinforcing

DONAHUE SALES
EATON PAPER
GORHAM
HOMELITE
PATTERSON-SARGENT
POLARIS SNOWMOBILE
SHEAFFER PEN
SHURON/CONTINENTAL
SPEIDEL
TALON



Sheaffer's new Silver Imperial sterling writing set.



The Speidel Romunda calendar watchband combines the look of leather with a movable calendar.



Shuron/Continental's youth-oriented eyeglass frames are worn here with new Shuron plastic lenses.



Examples of Gorham's new china and crystal are shown here with "Medici", the latest Gorham sterling silver pattern.

The Homelite E-Z 250 Automatic Chain Saw is more powerful, but also quieter, thanks to the new Softone™ muffler.



A line of gasoline-powered golf cars is being introduced by E-Z-Go.



Polaris is a leader in industry efforts to make snowmobiling a family sport.

Consumer, Continued

ing its competitive position in the more mature "Old Gorham" lines.

Many New Speidel Products

Sensitivity to recent trends, especially in the increasing emphasis on watchband fashion styling, played an important part in the decision by Speidel to introduce the largest number of major new products in its history. The new lines include the "Enfield", a tapered Twist-O-Flex band with a center buckle, and the "Rallye", an auto racing-associated design in both watchbands and identification bracelets. Speidel entered a new segment of the market through its Gilt Edge collection of leather watch straps. New ladies' models feature colored enamel top shells.

Its current watchband styling and new introductions scheduled for the Spring, together with Speidel's strong consumer franchise, are expected to offset any effect of the expiration of the Twist-O-Flex patent in 1971.

In men's toiletries, Speidel, again capitalizing on the interest in sports cars, successfully introduced the Grande Marche brand. Its British Sterling and Bravura toiletries lines were broadened.

Fashionable Eyewear

Shuron/Continental has benefitted from the trend to consider eyewear a fashion accessory rather than a fashion nuisance. This is particularly pertinent in gold-filled eyeglass frames, where Shuron/Continental has been strong. In addition there is an expanding interest in better eyesight, shown by the vision care programs of Medicaid and Medicare and the increased number of pre-school eye examinations.

The Division opened a new plant in Tampa, Florida. Plastic and glass lenses, as well as ophthalmic machinery, are being produced in the new facility.

Shuron/Continental's product base is being broadened in peripheral health protection areas. The acquisition of Welsh Manufacturing Company, a manufacturer of safety equipment, is an illustration.

Eaton Paper's steady sales growth was slowed in 1970. New products in both paper and giftware are being developed in anticipation of improved conditions in the markets it serves.

Significant increases in marine and industrial coatings sales helped Patterson-Sargent in 1970. Industrial research and marketing efforts of the Division now will be concentrated in products for prefinishing metal and wood.

Snowmobile Safety Leadership

Polaris' sales and profit performance improved. Control procedures were tightened, and marketing and after sales services were more efficient. General office and distribution service parts warehousing has been established in the greater Minneapolis areas to solve an industry-wide problem of service parts availability for the consumer. During 1970 Polaris management assumed a leadership role in the movement for increased snowmobile safety.

Talon Performance Improves

Despite a general softness in the apparel industry, Talon increased its sales and earnings. Among the year's developments was the increasing use of the nylon filament zipper, which Talon pioneered, and extension of the use of heavy duty nylon zippers for the outerwear and recreation market, including tents and campers.

The rapidly-expanding acceptance of fashion boots for women and the popularity of jeans and casual pants increased sales of Talon zippers.

The market for men's slacks also became highly fashion-oriented, with zipper color requirements resembling

those of ladies' ready-to-wear. This trend, it is anticipated, will become even stronger in 1971, benefitting Talon.

Talon continued its up-grading of facilities. A new plant was completed at Durant, Mississippi, with a floor area of 52,000 square feet. A 37,000 square foot manufacturing facility is scheduled for completion in Seymour, Indiana, this spring.

Donahue Trimmings

Donahue Sales, which markets Talon products through retail stores, equaled its 1969 sales level.

Although the number of units sold to the home sewing market decreased because of consumer confusion over the skirt length controversy, higher-priced fabrics brought an overall continuation of the sewing "boom". Donahue expects to resume its growth pattern in 1971, aided by the high quality selection of laces, braids and decorative trimmings added to its line during 1970.

These products have been styled for the creative woman by expert fashion and color authorities. Collaboration with major pattern companies ensures that the line co-ordinates with trimmings that are being suggested by the pattern designers.

Another new home sewing product introduced by Donahue in 1970 is a Talon sew-on reflective tape, designed to provide garments with high reflective brilliance for safety of night-time pedestrians, particularly children.

Outlook

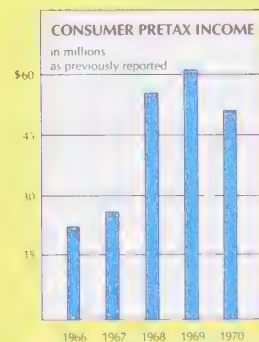
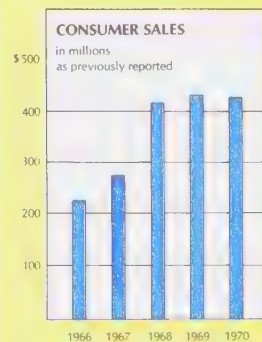
The results of the Consumer Product Group in 1971 will depend, to a great extent, upon the level of consumer discretionary spending. However, actions taken during the past year should provide Textron's Consumer Divisions with a springboard from which to capitalize on any upturn in the economy. All Divisions foresee good to excellent prospects in 1971.



Talon's new heavy duty nylon zippers were successfully introduced in 1970 to the sports clothing market.



New Talon decorative trim brightens the playsuit of this little girl. Textron's Donahue Sales Division supplies Talon laces and trim to the home sewing market.



Aerospace Product Group



A Bell Aerospace SK-5 Air Cushion Vehicle skims across San Francisco Bay. The ship is one of two SK-5's in a 12-month Coast Guard evaluation program.



The twin engine Two-Twelve, Bell Helicopter's latest commercial model, during flight demonstration in New York City area.

The Aerospace Group did well in 1970, chiefly because of a policy of diversification and balance that resulted in improved earnings even in an industry that experienced a severe downturn. Elements of this program included:

Diversification between strategic and tactical systems.

A balance of sales — commercial as well as military. And in its military marketing, emphasis on sales to all branches of the U. S. services as well as to other governments.

A wide range of product technology — from helicopters to air cushion vehicles to solar power systems.

In addition, a policy of substantial and selective research and development efforts which began to pay off in a flow of new products of advanced technological and proprietary nature.

Bell Helicopter Meets Forecasts

Bell Helicopter's delivery rates at year-end reflected the slowdown in sales to U. S. military forces previously predicted. Nevertheless, a wide spread of orders for standard and new model helicopters was received from both U. S. and foreign armed forces, with deliveries extending into 1972. Early in 1971 the U. S. Army ordered an additional 300 UH-1H helicopters for 1972 production.

Bell continued to move its product line in the direction of larger models. It entered the twin-engine, medium-size helicopter market, with first deliveries of the military and commercial versions of the Model 212 Twin. The UH-1H Huey-Plus, able to carry a substantially increased payload, was introduced.

Despite the softness of the commercial aircraft business throughout the world, Bell met its domestic and international forecasts. The commercial helicopter markets expanding most rapidly include

air ambulance, police surveillance, traffic control and corporate transport.

Bell continued its research and development efforts for the next generation of helicopters and VTOL aircraft. Full scale components for a new tilt prop-rotor aircraft were tested. The ship will have the advantages of a helicopter in vertical flight and hover, plus high speed, long range horizontal flight features.

Air Cushion Leadership

The Bell Aerospace Division benefitted from years of research and development in a number of important technical areas. A propulsion system used in U.S. strategic forces went into production, and Space Shuttle advanced technology contracts were received.

Bell Aerospace continued its emphasis on the emerging market for high-speed, over-water transportation systems. Preliminary designs were completed for a 50-knot, 160-ton air cushion, amphibious landing craft for the U. S. Navy. Fabrication neared completion for the 100-ton Surface Effect Ship being built for the Navy and the Maritime Administration.

Facilities were acquired in Ontario for the production of the Bell Voyager heavy haul ACV. Bell is cooperating with the government of Canada to establish an air cushion vehicle technology base there.

An Air Force program for use of Bell's air cushion landing gear system on a de Havilland Buffalo transport was initiated. The system replaces conventional landing gear and enables aircraft to land on water, snow, mud or marsh.

Advanced Electronic Systems

The Dalmo Victor Division continued production of the most advanced radar homing and warning system in the U. S. forces' operational inventory. Marketing efforts are being concentrated on its

extension to new Navy and Air Force programs.

The Division's commercial transportation products were supplemented by a line of railroad electronic safety devices, including a hot box detection system.

The Electronic Research Division introduced a new line of control equipment and digital displays for temperature and control system applications.

Hydraulic Research and Manufacturing, in a slow year for the hydraulic controls business, continued its development of a strong operating base to support entry into promising new areas. Orders for its Ledeen Division pipeline valve control products were received for a Caribbean oil refinery and a pipeline expansion in the Netherlands.

Commercial Marketing

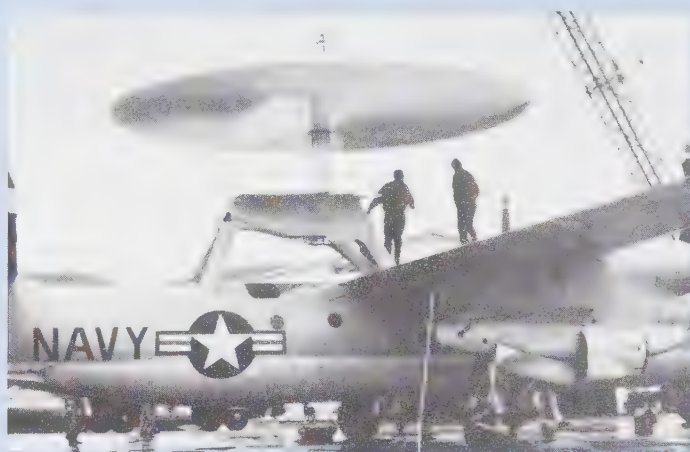
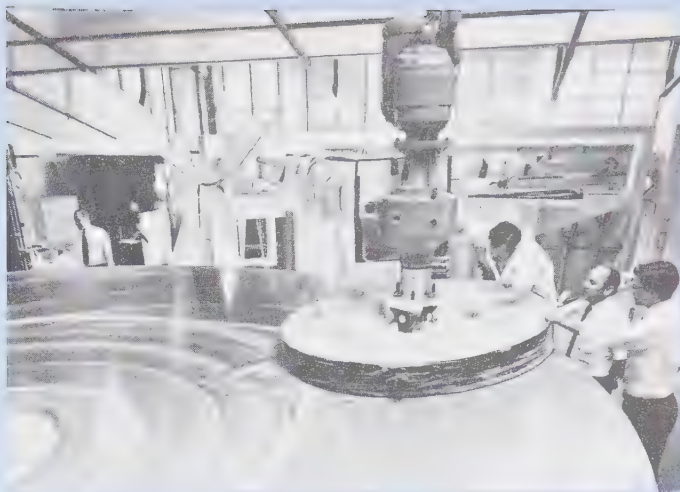
Spectrolab has entered the commercial market with products utilizing its extensive technical background. Products with commercial growth potential introduced in 1970 include an expansion of its powerful airborne searchlight line for helicopter police patrolling; a pyranometer, for measurements of sun and sky radiation, useful in air pollution control projects; and new, more flexible solar simulators. The Division's solar power systems are scheduled to be used on a number of new scientific satellites.

A number of Textron divisions, most of them in the Aerospace Group, once again participated in the Apollo program of manned flights to the moon.

Outlook

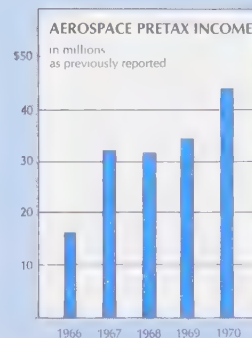
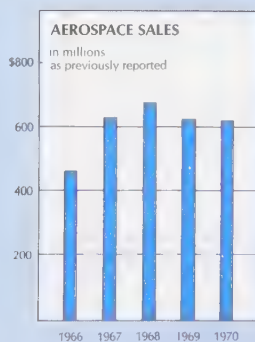
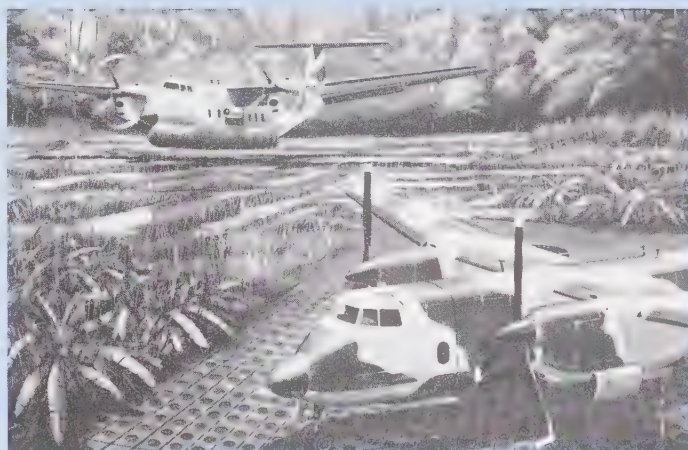
In 1971, the Aerospace Group's market diversification should again prove valuable. A modest reduction in helicopter sales and profits should, to a large extent, be balanced by programmed growth in other Divisions.

A 23-foot diameter mirror undergoes final polishing before installation in Spectrolab's giant solar simulator built for Martin Marietta Corporation. It will be used in testing of advanced spacecraft systems.



A Dalmo Victor early-warning rotodome antenna is put into place on one of the Navy's new E-2C carrier-based aircraft.

This artist's drawing depicts the rough-terrain capability of the Bell Aerospace air cushion landing system to be installed aboard a de Havilland "Buffalo" transport, as part of an Air Force evaluation.



AETNA BEARING
BURKART/RANDALL
CAMPBELL, WYANT
AND CANNON
FAFNIR
FANNER
MB ELECTRONICS
SPENCER KELLOGG
SPRAGUE
WALKER/PARKERSBURG



Spencer Kellogg urethanes are used in many of the popular new coated fabrics, including this model's hat, coat, bag and boots.



The new Fafnir laminar flow clean room is the most modern in the bearing industry. In foreground, precision bearing assemblies receive final inspection.

Industrial Product Group

A combination of factors made 1970 a generally unfavorable year for the Industrial Group. National and local strikes in the automobile and trucking industries adversely affected shipments to customers. There also were strikes at several Textron facilities, including the Spencer Kellogg corn mill and the principal foam plant of Burkart/Randall. In addition to the generally slow volume of industrial purchases, there was a specific softness in automobile production and residential construction.

A Time for Re-evaluation

It was an obvious time for both belt tightening and new product development. To offset national trends toward higher costs of labor and materials, heavy emphasis was placed on studies to identify unprofitable lines and either eliminate them or correct the situation with more realistic pricing. Manufacturing facilities were examined for possible consolidation, and product improvement was given extra attention. Several Divisions moved into new markets promising substantial growth.

Among positive divisional results was Walker/Parkersburg's record of steady progress, with another increase in sales and earnings. The Division began development of initial products in an expanded line which will cover the entire field of engineered electrical raceways. Its products had been limited to under-floor systems. Backlog continued strong for the Division's metal building products. The first Parkersburg metal private residences were tested in Florida during the year.

Despite a nine-week strike at its Kansas City corn processing mill, Spencer Kellogg reported higher sales and earnings. For this Division 1970 also involved diversification, especially into coating products with a greater chemical orientation. Spencer Kellogg urethanes began to be used in a wide variety of

fabrics, as well as for coating flexible materials such as foam, rubber, plastics and paper. Most of these urethane resins are available in solvents which qualify under current air pollution regulations. Spencer Kellogg has been a pioneer in this area. A new manufacturing facility on the West Coast — formerly Kelly-Pickering Chemical — was added to Spencer Kellogg operations.

High Precision Bearings

Sales of Fafnir Bearing during the year were under pressure from imports, particularly Japanese, as well as the handicap of a decline in United States industrial activity.

Important progress was made in new products. These included precision roller bearings for turbine engines; thin torque tube bearings for complex electronic and scientific testing equipment; special bearings for business machines; and cargo roller bearings for freight handling on the new jumbo aircraft.

With the establishment of a Custom Precision Products Division, Fafnir took a further step in its program of concentration on higher value, specialized bearings less vulnerable to foreign competition. The unit uses high technology in both engineering and manufacturing.

New Product Directions

Two other Divisions continuing their re-assessment of product direction were Burkart/Randall and Campbell, Wyant and Cannon, both of which are important suppliers to the automotive industry.

Burkart/Randall is expanding its chemically-oriented line with carpet underlay products in urethane foam and resin bonded synthetic fibers; improved resinated cotton cushioning for furniture; and bonded polyester quilting material for parkas and other clothing. Burkart research has progressed in formulation of cold molded foam cushion-

ioning prototypes, with manufacturing expected to find acceptance for automobile, snowmobile and furniture applications in 1972.

The Randall unit of the Division held market position in its major line of trim products, despite the shrinkage of orders due to the automotive strike. The Seneca Plastics unit has been increasing its production of plastic automotive and appliance trim, in line with a trend toward greater use of plastic in such products. Seneca has also developed a simulated wood grain finish on plastic parts.

Facilities Consolidated

As a result of action to concentrate efforts on its most profitable product areas, the Campbell, Wyant and Cannon Division reported increased earnings over 1969 despite the automotive shut-downs. Consolidation and upgrading of facilities also played a part.

The meter and regulator business of Sprague Meter continued to be depressed by the slowdown in residential construction. Sprague should benefit by the anticipated reversal of this trend. The Division's liquid gas container department has benefitted from substantial growth in the mobile home market.

MB Electronics continued to move into the commercial market with test equipment and pressure measurement systems. However, its overall performance reflected the continued reduction in space and defense spending.

Outlook

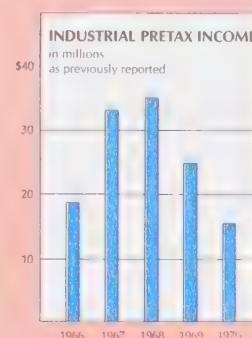
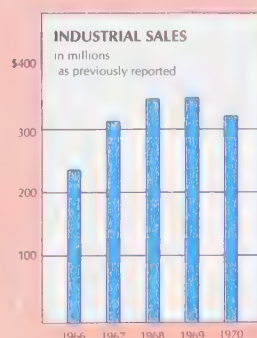
The actions taken in the last year to improve the Industrial Group's efficiency and to concentrate on the most profitable product lines should permit it to participate fully in any 1971 improvement in the industrial economy, especially in the automotive and aerospace areas.



The first Walker/Parkersburg metal private residences are being evaluated in Florida.



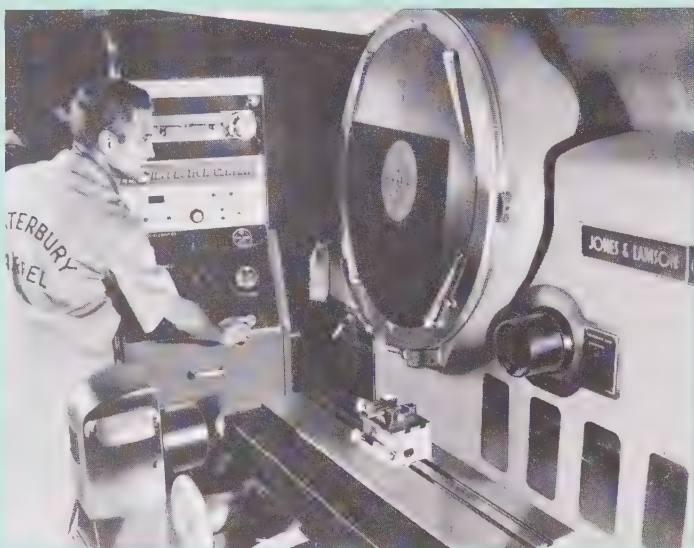
Burkart/Randall heavy duty foam cushioning is finding expanded use in premium-quality furniture and bedding.



**BOSTITCH
BRIDGEPORT MACHINES
CAMCAR
PITTRON
TOWNSEND
TRUE-TRACE
WATERBURY FARREL**



This new TNC 4-axis turret lathe, built by Waterbury Farrel's Jones & Lamson Division, can be operated through a remote computer system.



Jones & Lamson has brought numerical control to its line of optical comparators, for faster inspection of small parts.



The ability of Camcar to produce automotive parts to exacting aerospace standards is shown by these caliper pins used in new automobile disc brakes. Camcar in 1970 began volume production of these alloy steel retainer bolts, cold formed to extremely close tolerances through its Raycarl process.

Metal Product Group

The Metal Product Group covers a number of industries, many of which had difficult going during 1970. These include home construction, machine tools and other capital equipment. Added to the problems was a 7-month strike at the Jones & Lamson unit of Waterbury Farrel.

As a result of these factors, the group showed a sharp reduction in earnings.

Divisions responded with major cost reduction projects, re-examination of marketing programs and acceleration of new product development.

Familiar Products

It may be helpful, in discussing developments in the group, to point out that many of its products are familiar to consumers, or are used to make familiar products: Bostitch staplers for home and office use; Bridgeport small milling machines which are sometimes used in home or hobby workshops; Townsend locking mechanisms for car doors; Camcar's packaged screws for the home handyman. In addition, much household aluminum foil is rolled by mills built by Pittron.

Textron's two machine tool Divisions — Waterbury Farrel and Bridgeport Machines — were affected by the drop in national orders in this sector, although less so than the industry generally. Prior to the business turndown, both Divisions had initiated vigorous programs of product innovation and market development. The results were evident in the response to the Bridgeport and Waterbury exhibits at the National Machine Tool Builders show in September.

Leadership in N/C Machines

Waterbury Farrel's Jones & Lamson Division reinforced its position in automated machines with a new line incorporating Total Numerical Control, including five new metalworking machines and an optical comparator inspection center.

The rolling mill backlog for Waterbury Farrel rose during the year, spurred by its new computer-controlled "ESP" gauging equipment, which provides superior thickness and finish control. Shipments of mills in 1971 should be double those of 1970.

Waterbury Farrel Europe had an excellent year, introducing a number of the Division's domestic U. S. products to the European market.

Bridgeport Machines exhibited a new, larger, Series II turret milling machine and two numerical-control systems at the Machine Tool Builders Show. More than 150 of the Series II machines have been ordered. The Division now will be able to offer machines carrying Bridgeport's own numerical control systems, to be produced by the Bridgeport Controls unit added during 1970.

Both Divisions expect a gradually improving machine tool demand in 1971.

Bostitch Introduces New Nailers

The overall high rate of growth for Bostitch slowed somewhat during 1970, chiefly because industrial customers reduced their requirements for wire fasteners.

There was an increase in sales of Bostitch power nailing equipment, however, despite a continued low level of residential construction. Increased production of mobile homes helped take up the slack, as did volume generated by the Bostitch roof frame truss plate system. New Bostitch heavy duty pneumatic nailing equipment is being introduced.

Internationally, Bostitch had its best year, with a sales increase of more than 9%. Foreign sales now account for approximately 27% of the divisional total.

New Fastener Products

The Group's two fastener companies, Camcar and Townsend, in 1970 had to

deal with general slowdowns in two of their major markets — aerospace and automotive.

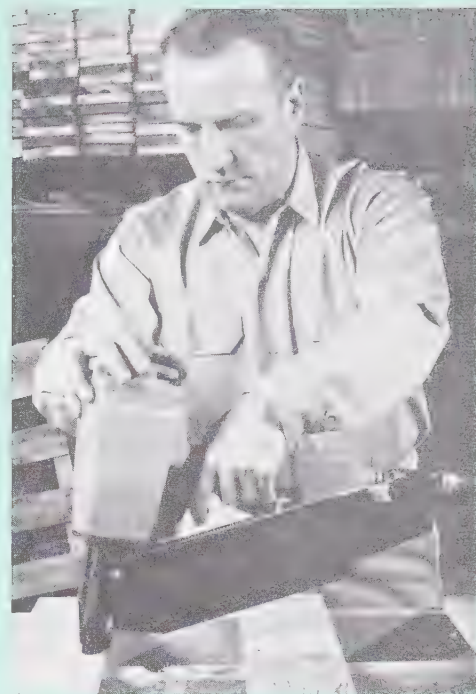
Camcar responded with a vigorous program of cost control and introduction of additional proprietary products, coupled with promotion of its fasteners for new uses and markets. A helpful factor was Camcar's success in applying its special cold heading techniques to fasteners of larger diameters.

Townsend also increased its new product efforts. Its long term work on titanium bi-metal aerospace fasteners was completed and production equipment developed. Manufacture is expected to begin in 1971. In addition, the Division began to market complete sub-assemblies to automotive companies, rather than merely component fastener parts.

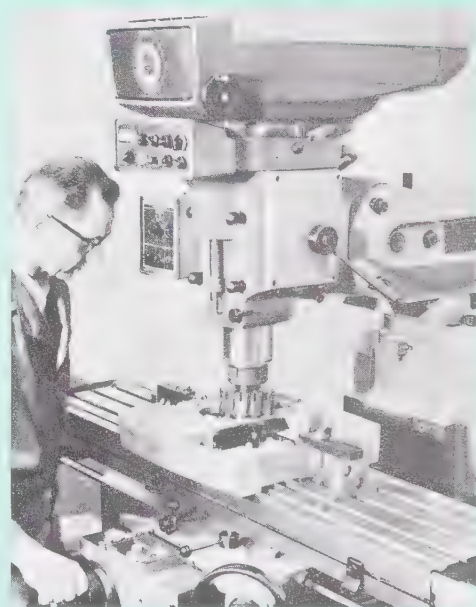
Pittron had a year of extensive re-adjustment. Its railroad casting production was closed down and the Amsler-Morton industrial furnace business sold. The Division experienced a lower volume of orders for the higher technology products it is emphasizing (rolling mills and large steel castings), reflecting the national curtailment of capital spending. A favorable development was the sale and shipment of Pittron's first 4-stand tandem mill for rolling brass and copper.

Outlook

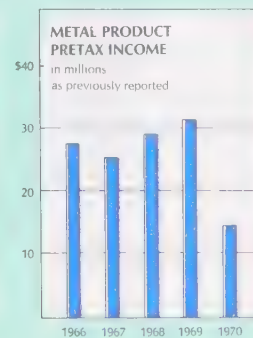
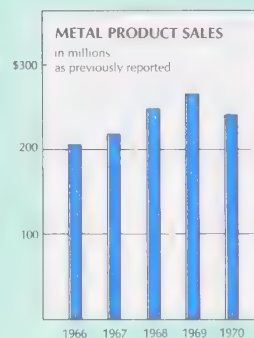
The 1971 prospects for the Metal Product Group depend to a great extent on the recovery of the national machine tool business, increased home and industrial construction and resumption of normal automobile production volume. Recent adjustments to governmental monetary policies indicate that this recovery will take place. If so, the new products developed during the past year will provide an excellent base for expansion of sales and profits.



A heavy-duty Bostitch power nailer was introduced in 1970 for assembly-line house frame construction.



Deliveries of the Series II, a new, larger Bridgeport milling machine, began early in 1971.



Five Year Comparisons

(All dollar figures in thousands except amounts per share)

	1970	1969	1968	1967	1966
Net Sales					
Historical	\$ 1,611,851	\$ 1,682,171	\$ 1,704,097	\$ 1,445,985	\$ 1,132,174
Restated for poolings of interests . .	—	—	1,725,214	1,590,157	1,416,709
Income Before Federal Income Taxes					
Historical	124,236	151,672	152,900	117,136	84,713
Restated for poolings of interests . .	—	—	156,962	138,755	128,402
Net Income					
Historical	66,736	76,122	73,999	61,526	43,913
Restated for poolings of interests . .	—	—	75,989	72,938	66,290
Net Income Per Common Share*					
Historical	1.90	2.14	2.10	2.02	1.67
Restated for poolings of interests . .	—	—	2.11	2.03	1.84
Common Shares Outstanding*					
Historical	35,209,688	35,650,355	35,299,938	30,715,114	26,750,942
Restated for poolings of interests . .	—	—	36,202,815	36,143,144	36,391,775

* Based on average common shares outstanding, adjusted for stock splits and assuming that all preferred shares were converted into common stock and warrants and stock options were exercised.



A case history of a divisional refinement program is presented at the annual Textron controllers meeting. Division and group controller discussions included inventory and cost controls, budgets and analysis, financial planning, and forecasting.

Consolidated Statement of Income

Years Ended January 2, 1971 and January 3, 1970

	1970	1969
Net Sales	\$1,611,851,000	\$1,682,171,000
Costs and expenses:		
Cost of sales	1,234,554,000	1,275,143,000
Selling and administrative expenses	241,342,000	244,502,000
Interest expense	11,719,000	10,854,000
	<u>1,487,615,000</u>	<u>1,530,499,000</u>
Income before Federal income taxes	124,236,000	151,672,000
Provision for Federal income taxes	<u>57,500,000</u>	<u>75,550,000</u>
Net income	<u>\$ 66,736,000</u>	<u>\$ 76,122,000</u>
Net income per common share*	<u>\$1.90</u>	<u>\$2.14</u>

*Based on average shares outstanding during the year, assuming full conversion of preferred stock and exercise of warrants and stock options.

See notes to financial statements.

Consolidated Balance Sheet

Assets	January 2, 1971	January 3, 1970
Current assets:		
Cash	\$ 23,445,000	\$ 23,860,000
Marketable securities, at cost (approximately market)	55,371,000	1,521,000
Accounts receivable (less allowances of \$6,578,000 and \$5,778,000)	227,233,000	214,020,000
Inventories, at lower of cost or market:		
Finished goods	115,424,000	123,778,000
Work in process (less progress payments of \$126,674,000 and \$117,171,000)	143,100,000	141,473,000
Raw materials and supplies	65,543,000	64,670,000
	324,067,000	329,921,000
Prepaid expenses	25,825,000	19,729,000
Total current assets	655,941,000	589,051,000
Property, plant and equipment, at cost:		
Land and buildings	121,722,000	110,831,000
Machinery and equipment	395,106,000	362,678,000
	516,828,000	473,509,000
Less accumulated depreciation and amortization	274,181,000	240,546,000
	242,647,000	232,963,000
Amount paid over value assigned to net assets of companies acquired, less amortization	42,725,000	34,911,000
Patents, at cost less amortization	16,249,000	18,566,000
Other assets	18,523,000	19,633,000
	<u>\$976,085,000</u>	<u>\$895,124,000</u>

See notes to financial statements.

Liabilities and Shareholders' Equity

Current liabilities:

	January 2, 1971	January 3, 1970
Notes payable	\$ 6,495,000	\$ 5,020,000
Accounts payable	70,222,000	83,659,000
Accrued expenses	73,120,000	70,820,000
Federal income taxes	50,092,000	36,710,000
Current maturities of long term debt	21,923,000	12,486,000
Other current liabilities	55,036,000	56,100,000
Total current liabilities	276,888,000	264,795,000

Long term debt	183,952,000	135,238,000
Other liabilities	11,903,000	9,833,000

Shareholders' equity:

Capital stock:

\$2.08 convertible preferred, Series A (Liquidation value — \$153,342,000)	72,477,000	72,477,000
\$1.40 convertible preferred dividend, Series B	57,117,000	57,117,000
Common	6,946,000	6,942,000
Capital surplus	31,994,000	32,018,000
Retained earnings	359,347,000	333,217,000
	527,881,000	501,771,000
Less treasury stock, at cost	24,539,000	16,513,000
Total shareholders' equity	503,342,000	485,258,000

	<u>\$976,085,000</u>	<u>\$895,124,000</u>
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Consolidated Statement of Capital Surplus

Years Ended January 2, 1971 and January 3, 1970

	1970	1969
Balance at beginning of year	\$ 32,018,000	\$ 32,055,000
Additions:		
Capital in excess of par or stated value of shares issued upon:		
Conversion of preferred stock	—	15,000
Exercise of warrants	110,000	965,000
Exercise of employees' stock options	—	26,000
Capital surplus resulting from pooling of interests	65,000	—
	<u>32,193,000</u>	<u>33,061,000</u>
Deductions:		
Charges resulting from issuance of treasury shares for companies acquired .	<u>199,000</u>	<u>1,043,000</u>
Balance at end of year	<u>\$ 31,994,000</u>	<u>\$ 32,018,000</u>

Consolidated Statement of Retained Earnings

Years Ended January 2, 1971 and January 3, 1970

	1970	1969
Balance at beginning of year	\$333,217,000	\$320,178,000
Net income	66,736,000	76,122,000
Retained earnings of company acquired through pooling of interests	996,000	—
	<u>400,949,000</u>	<u>396,300,000</u>
Dividends declared:		
\$2.08 preferred stock	6,378,000	6,378,000
\$1.40 preferred dividend stock	6,650,000	6,714,000
Common stock (\$.90 in 1970, \$.85 in 1969)	24,267,000	23,173,000
Total dividends	<u>37,295,000</u>	<u>36,265,000</u>
Charges resulting from issuance of treasury shares for companies acquired and from exercise of stock options	<u>4,307,000</u>	<u>26,818,000</u>
	<u>41,602,000</u>	<u>63,083,000</u>
Balance at end of year	<u>\$359,347,000</u>	<u>\$333,217,000</u>

See notes to financial statements.

Statement of Changes in Shares of Capital Stock

Year Ended January 2, 1971

	Preferred Stock		Common Stock
	\$2.08	\$1.40	
Shares issued:			
At beginning of year	3,066,845	4,834,068	27,769,750
Exercise of warrants	—	—	12,930
At end of year	<u>3,066,845</u>	<u>4,834,068</u>	<u>27,782,680</u>
Treasury Shares:			
At beginning of year	600	48,600	482,393
Purchases	—	78,700	506,600
Issued in pooling of interests	—	—	(171,397)
Exercise of stock options	—	—	(2,674)
At end of year	<u>600</u>	<u>127,300</u>	<u>814,922</u>

Consolidated Statement of Changes in Working Capital

Years Ended January 2, 1971 and January 3, 1970

	1970	1969
Source of working capital:		
Net income	\$ 66,736,000	\$ 76,122,000
Depreciation and other non-cash charges	39,965,000	38,335,000
Total from operations	106,701,000	114,457,000
Long term borrowings	65,613,000	—
Working capital of companies acquired	8,258,000	571,000
Property, plant and equipment sold	2,928,000	8,778,000
Proceeds from exercise of options and warrants	148,000	1,250,000
	<u>183,648,000</u>	<u>125,056,000</u>
Application of working capital:		
Cost of companies acquired	19,368,000	2,160,000
Additions to property, plant and equipment	41,642,000	56,112,000
Dividends	37,295,000	36,265,000
Purchase of treasury stock	12,548,000	24,737,000
Reduction of long term debt	17,679,000	10,475,000
Other	319,000	6,247,000
	<u>128,851,000</u>	<u>135,996,000</u>
Increase (decrease) in working capital during the year	54,797,000	(10,940,000)
Working capital at beginning of year	324,256,000	335,196,000
Working capital at end of year	<u>\$379,053,000</u>	<u>\$324,256,000</u>

See notes to financial statements.

Notes to Financial Statements

General

During 1970 Textron acquired five companies for \$19,368,000. Operating results of these companies have been included in the consolidated statement of income from the dates of acquisition.

Also in 1970, another company was acquired in exchange for 171,397 shares of treasury common stock and was accounted for as a pooling of interests. Accordingly operating results for 1970 have been included in the consolidated statement of income but the financial statements for 1969 have not been restated since the change would not be material.

Inventories

Cost of \$254,270,000 of inventory was determined generally on a first-in, first-out or average method and the balance of \$69,797,000 on a last-in, first-out method.

Depreciation

Depreciation on additions of new property is computed generally on the declining balance method and depreciation on other property additions is generally computed on the straight-line method. Depreciation expense amounted to \$36,394,000 in 1970 and \$35,787,000 in 1969.

Long Term Debt

Exclusive of amounts due in 1971, the debt consists of the following:

Notes payable to banks due in install- ments to 1975 (interest at one quarter of one percent above the prime rate)	\$48,750,000
8.60% Notes payable due February 15, 1975	50,000,000
5 $\frac{7}{8}$ % Sinking Fund Debentures due May 1, 1992 (Annual Sinking Fund payments of \$2,250,000 commencing in 1973)	50,000,000
5% Subordinated Debentures due May 1, 1984 (\$100,000 and proceeds received upon exercise of warrants are payable to sinking fund quarterly)	10,758,000
Other notes	24,444,000
	<u>\$183,952,000</u>

On January 29, 1971 the long term notes payable to banks were prepaid.

Capital Stock

Authorized capital stock consists of 15,000,000 no par shares of preferred stock issuable in series and 75,000,000 shares of common stock, 25¢ par value.

Each share of the \$2.08 preferred stock (\$23.63 approximate stated value) is convertible into 1.1 shares of common stock and is not redeemable by the Company until after December 31, 1972. On or after December 31, 1972, the stock may be redeemed at prices ranging from \$55 in 1973 to \$50 in 1978 and thereafter. From 1973 through 1977 the \$2.08 preferred stock may not be redeemed except in its entirety and in 1978 and thereafter all or any part may be

redeemed at any time. In the event of involuntary liquidation, the stock is entitled to \$50 per share and accrued dividends. In the event of voluntary liquidation, each share is entitled to an amount equal to the prevailing redemption price.

Each share of \$1.40 preferred dividend stock (\$11.82 approximate stated value) is convertible into .9 share of common stock and is not redeemable by the Company until after December 31, 1973, at which time the redemption price will be \$45 per share. After that date all or any part of the stock may be redeemed at anytime. In the event of liquidation, holders of each share of \$1.40 preferred dividend stock would receive accrued dividends and thereafter share rateably on a converted basis with holders of common stock, subject to prior rights of the \$2.08 preferred stock.

Shares of common stock reserved were as follows:

\$2.08 Cumulative Convertible Preferred Stock, Series A	3,373,530
\$1.40 Convertible Preferred Dividend Stock, Series B (preferred only as to dividends)	4,350,662
Warrants (exercisable at \$8.75 per share until May 1, 1974, with \$1.25 price increases each five years thereafter until expiration in 1984)	355,100
Options granted to employees	448,843
	<u>8,528,135</u>

Stock Options

Under the Stock Option Plan approved by stockholders in 1969 options for a maximum of 1,000,000 shares of common stock may be issued at prices not less than the fair market value at the date of grant. Options become exercisable with respect to approximately one-third of the total in each year after the second, third and fourth year from the date of grant and each option expires five years from that date. At January 3, 1970, options to acquire 266,400 shares were outstanding. During 1970 options for 176,125 shares were granted and options for 14,700 shares were cancelled. At January 2, 1971 options for 427,825 shares at prices ranging from \$21.00 to \$31.75 or an aggregate of \$10,494,729 remain outstanding.

Upon acquisition of certain companies Textron substituted options on shares of its stock for the outstanding options of the acquired companies. Options for 9,860 shares of common stock at prices ranging from \$22.22 to \$36.25, 325 shares of \$2.08 preferred stock at \$38.27 per share, and 12,000 shares of \$1.40 preferred dividend stock at \$31.19 per share, were outstanding at January 2, 1971. At that date options for 9,500 shares of common stock, 325 shares of \$2.08 preferred stock and 12,000 shares of \$1.40 preferred dividend stock were exercisable.

Pensions

The Company and its consolidated subsidiaries have several pension plans covering 90% of their employees. The total pension expense charged to consolidated income for the year was approximately \$18,000,000 which includes amortization of unfunded prior service cost over periods ranging from 10 to 30 years. The Company's policy is to fund pension costs accrued.

Auditors' Report

ARTHUR YOUNG & COMPANY

277 PARK AVENUE
NEW YORK, N. Y. 10017

The Board of Directors and Shareholders
Textron Inc.

We have examined the accompanying consolidated balance sheet of Textron Inc. at January 2, 1971 and the related consolidated statements of income, retained earnings, capital surplus, changes in shares of capital stock and changes in working capital for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the statements mentioned above present fairly the consolidated financial position of Textron Inc. at January 2, 1971 and the consolidated results of operations and changes in working capital for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

February 12, 1971.

Arthur Young & Company

Transfer Agents

Common Stock

Rhode Island Hospital Trust National Bank, Providence, Rhode Island
Morgan Guaranty Trust Company of New York, New York City
Bank of America National Trust and Savings Association, Los Angeles, California

Convertible Preferred Stock

\$2.08 Cumulative Convertible Preferred Stock, Series A
\$1.40 Convertible Preferred Dividend Stock, Series B (preferred only as to dividends)
Rhode Island Hospital Trust National Bank, Providence, Rhode Island
Morgan Guaranty Trust Company of New York, New York City

Note to Securityholders:

In an effort to lower handling and mailing costs, we have attempted to eliminate duplication of securityholder mailings. If you still are receiving duplicate copies of Textron annual or quarterly reports and wish this number reduced, please write to Textron's Secretary, enclosing a mailing label from the duplicate report. This will in no way affect the mailing of dividends or proxies.

If we have in error eliminated mailing of reports to someone in your household who wishes to continue to receive a copy, please also let us know.

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John B. Henderson	<i>Vice President, General Counsel and Secretary</i>
G. Richard Westin	<i>Vice President and Treasurer</i>
Richard C. O'Sullivan	<i>Controller</i>
George H. Murphy	<i>Chairman of Consumer Product Development</i>



Mr. Miller



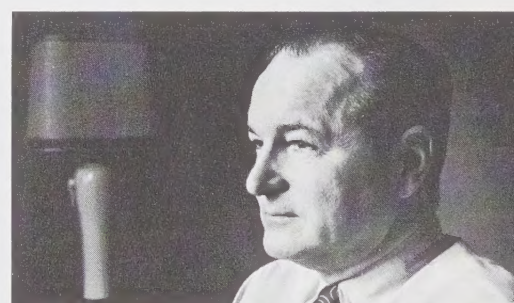
Mr. Ruud



Mr. White



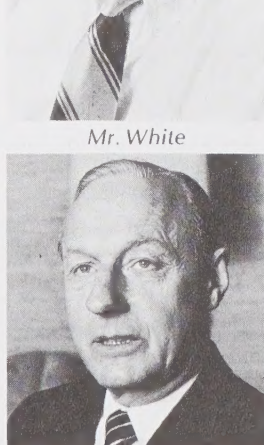
Mr. Ames



Mr. Collinson



Mr. Urban



Mr. Eisenhower



Mr. Henderson



Mr. Charles



Mr. Grote



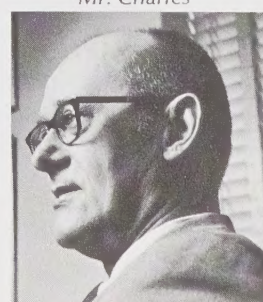
Mr. Turner



Mr. Chapin



Mr. Murphy



Mr. Westin



Mr. O'Sullivan

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Companies and Products

— with names of Presidents

● Aerospace Product Group

Bell Aerospace *William G. Gisel*
 Rocket engines, missile and spacecraft propulsion systems, positive expulsion rocket fuel tanks, vertical lift aircraft, air cushion vehicles, automatic aircraft landing systems, inertial systems, fire control and target location systems, surface effect ships.

Bell Helicopter *Edwin J. Ducayet*
 Military and commercial helicopters and vertical lift aircraft, systems integration (target detection, weapons, navigation, agricultural and other commercial), aeronautical and electronic research.

Dalmo Victor *John H. Pamperin*
 Electromagnetic defense systems, aerospace antennas, electro-optics.

Oregon Technical Products — Rail and transit products, electro-mechanical aircraft accessories.

Electronic Research *Harold M. Danzig*
 Crystals, time and frequency standards, crystal and LC filters, digital temperature instruments and controls.

Hydraulic Research and Manufacturing *Thomas J. Sullivan*
 Electro-hydraulic valves and servo control systems, hydraulic-pneumatic control systems, high performance filters.

Accessory Products — Valves, pressure regulators, fluid controls, fire suppression systems; Fuel Engineering, autoclaves, hydroclaves, heat exchange equipment.

Ledeen — Automated controls for fluid, gas processing and pipeline safety equipment.

Spectrolab/Heliotek *Alfred E. Mann*
 Electro-optics, solar cells, optical thin film filters, space power arrays, solar simulators, high intensity searchlights, optical instruments.

● Consumer Product Group

Donahue Sales *Frank M. Donahue*
 National distributor of home sewing products.

Eaton Paper *Morton L. Weiss*
 Social stationery, desk and photo accessories, At-A-Glance personal record and appointment books, Berkshire typewriter paper.
Camp — Packaged stationery and school supplies.

Ellingsworth — Duo-Tang report folders.

Gorham *Walter J. Robbie*
 Sterling silver and stainless steel flatware, sterling and silverplated holloware, decorative accessories and special giftwares, fine china and crystal, bronze memorial markers.

Homelite *Robert P. Straetz*
 Chain saws, pumps, generators, lawn mowers, portable space heaters.
E-Z-Go — Golf cars.

Terry Industries (Canada) — Chain saws, pumps, generators, portable space heaters.

Patterson-Sargent *George A. O'Hare*
 BPS, Vita-Var and Allied paints and varnishes.

Polaris *Herbert C. Graves*
 Snowmobiles and snowmobile accessories.

Sheaffer Pen *Louis S. Bishop*
 Writing instruments, Skrip writing fluid.
Maico — Electronic hearing aids, audiometers.

Shuron/Continental *Gordon M. Cooper*
 Eyeglass frames, lenses, optical machinery.
Welsh Manufacturing — Safety products and equipment.

Speidel *John A. Keenan*
 Twist-O-Flex watchbands, identification bracelets, jewelry chain, British Sterling, Bravura, and Grande Marque men's toiletries.

Talon *James W. Nelson, Jr.*
 Metal and filament zippers, thread, laces and other sewing accessories; Universal Button, metal buttons, hooks and eyes, snap fasteners; Gibson Electric, powdered metal electrical contacts.

● Industrial Product Group

Aetna Bearing *Richard F. Harrington*
 Standard and special thrust bearings, cylindrical roller bearings, radial ball bearings, hardened and ground parts.

Burkart/Randall *Lawrence T. Hickey*
 Burkart polyurethane foam, natural and synthetic fiber cushioning materials; Randall automobile and appliance trim, automobile door frames, body parts, automotive tubular products; Seneca molded plastic products.

Campbell, Wyant and Cannon *Richard L. Lindland*
 Grey, alloyed and ductile iron castings for engine blocks, cylinder heads, camshafts, gears, manifolds, housings and other parts; Paramount, zinc, aluminum and magnesium die cast parts.

Fafnir *Franklin S. Atwater*
 Precision ball, roller and sliding bearings for industrial, aerospace, off-the-road and farm equipment fields and the replacement market.

Fanner *Burton S. Massie*
 Chaplets and chills used in casting, electrical line products, metal abrasives, hand tools, special forgings, malleable iron hardware, plastic products, abrasive wheels.

MB Electronics *G. William Harrison*
 Vibration measurement instruments, test equipment, feeders, iso-mode pads, pressure transducers, digital control systems.

Spencer Kellogg *Robert L. Terrill*
 Chemical products, including synthetic resins; linseed oil and other oilseed and corn milling products.

Sprague *William A. Haist, Jr.*
 Gas meters and regulators, liquid gas cylinders and fittings, pipe clamps and service fittings for utilities; aluminum and zinc die castings.

Walker/Parkersburg *Walter E. Aussenheimer*
 Electrical raceway systems, pre-engineered metal buildings.

● Metal Product Group

Bostitch *M. Claude Schuler*
 Office, home and industrial staplers and staples, pneumatic nailers and staplers, wire stitchers, container finishing equipment.
Hall-Mack — bathroom accessories.

Bridgeport Machines *France Q. Wilson*
 Vertical milling machines (manual, optical, and hydraulic tracing; and numerically controlled); Bridgeport Controls, numerical control systems for machine tools.

Camcar *Ray H. Carlson*
 Raycarl cold headed metal parts, proprietary and special fasteners for aerospace, automotive and appliance industries.

Pittron *Albert C. Fisher*
 Tandem and single stand heavy duty rolling mills and auxiliary equipment, aluminum and steel foil mills, carbon high alloy and large stainless steel castings.

Townsend *Harold C. Kornman*
 Special fasteners for aerospace, automotive, appliance and construction industries, fastening tools, automatic fastening machines and cold formed special parts.

True-Trace *Daniel E. Harrison*
 Electronic and hydraulic machine tool control systems, attachments and components.

Waterbury Farrell *Arthur S. Nippes*
 Waterbury cold heading machines, Sendzimir and other rolling mills, presses, Cleveland hobbing machines.

Jones & Lamson — Numerical control, automatic and other turret lathes, cylindrical and thread grinders, optical comparators.

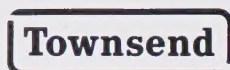
Precision Methods and Machines — Rolling mill components, glass machinery, heat treating, precision machining.

Thompson Grinder — Precision surface grinders.



SHURON/CONTINENTAL

Bell Aerospace



Sprague



DALMO VICTOR

spectrolab



Pittron

D
DONAHUE

M
B ELECTRONICS



FANNER

BR
BURKART/RANDALL

**PATTERSON-
SARGENT**



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